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Voluntary Public

Date: 6/30/2011

GAIN Report Number:

Senegal

Post: Dakar

Oilseeds and Products Annual Update 2011

Report Categories:

Oilseeds and Products

Agricultural Situation

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Report Highlights:

The 2010/11 (November/October) marketing campaign was marked by Senegal's top three oil processors' inability to initially pay farmers for their crop. Therefore, anticipation of late payments and record harvests (1.3 million tons) forced farmers to turn to informal market channels. However, by June 2011, processors collected 257,000 tons of peanuts and were able to pay \$104.0 million, leaving \$2.5 million owed. Separately, companies wait for the government to reimburse them \$2.6 million for the balance of the subsidy owed. Given the government's support to subsidize seeds and inputs for MY 2011/12, FAS Dakar believes production could slightly exceed GOS's target of 1.3 million tons by 50,000 tons.

Drama Surrounds MY 2010/11 and Senegal's Record Harvest of Peanuts

June 29, 2011



Truckload of peanuts queue to unload at a processing plant
(Source: FAS Dakar)

Background

Peanuts, also known as groundnuts, are a cash crop and driving economic force in Senegal. Since 2008, GOS has encouraged peanut production to reach 1.0 million metric tons per year under the *Great Agricultural Offensive for Food and Abundance* (GOANA). The large increase in production following the 2008/09 (November/October) season was attributed to sufficient rainfall, as well as availability and quality improvements of seeds under GOANA. According to Senegal's *National Agency of Statistics and Demographics* (DAPS), groundnut production again reached the 1.0 million ton target in MY 2009/10. The groundnut harvest for marketing year (MY) 2010/11 exceeded last season's record production by 25 percent at 1.29 million MT.

MY 2010/11 Groundnut Campaign

The start of MY 2010/11 was delayed until December 15, 2011, because banks hesitated to provide loans to oil processing companies, *Complexe Agro-Industriel de Touba* (CAIT), *Nouvelles Valorisation d'Arachide du Senegal* (Novasen) and *Suneor* due to debts from the previous year's marketing campaign. Suneor, the largest of the three processors and the lightning rod for this year's campaign troubles, had owed the banks \$25.9 million at the beginning of the campaign. Despite the financial setback from the previous season, banks were expected to finance the oil processing companies again this past year.

GOS fixed the groundnut market price at \$0.35 per kilo (165 CFA Franc) to match the previous campaign's prices. The state subsidized \$0.03 per kilo (15 CFA Franc), allowing the oil processing

companies to pay only \$0.32 (150 CFA Franc) and giving them room to mobilize sufficient funds for the marketing campaign.

By February, widespread reports of unrest floated through the media as rural communities became inundated with unmet financial agreements. Groundnuts were delivered to factories, yet very little money returned to farmers. For some communities, such as the villages Sikatourm, Koumbole, Kavi, and Sanguel, in the heart of the groundnut basin, large stocks of groundnuts had been left in the hands of producers. It was reported that in the rural community of Fandene, more than 70 percent of producers could not sell their groundnuts.

Financial troubles were arising from a mismatch of objectives between GOS and the oil processing companies. While having achieved GOANA's goals of increased groundnut production, only a small part of total production is processed by local industrial companies into groundnut oil and meal. A study produced by the *International Islamic Trade Finance Corporation* (ITFC) in partnership with the *International Trade Centre* (ITC) shows that global demand for peanut oil has been gradually declining over the past few years, due to the increased availability of cheaper palm and soybean oil substitutes and the irregular supplies of *Africa, Caribbean and Pacific* (ACP) exporting countries. Due to this drop in peanut demand, the local oilseed crushers are unlikely to process larger amounts of groundnuts regardless of the increases in production.

In addition, many farmers are just simply not being paid enough or on time. As part of official marketing channels, farmers usually deliver their peanut grains to oil processing factories using private operators in charge of stocking and transportation (OPS). The OPS and oilseed processors have a memorandum of understanding, in which payment is made within 10 days of delivering the groundnuts. However, oilseed processing companies were unable to secure sufficient funding necessary to purchase and process the crop. Thus, many OPS did not receive the money owed to them, who in turn could not pay farmers. Although regions vary, most farmers have received *bon impayés* or I.O.U.s, for delivered grains. The OPS and the farmers will be paid when the oilseed crushers receive more money from banks towards the end of the marketing campaign. Since groundnut planting begins during the rainy season, around June or July, this means that unless farmers find a different source of revenue, they wait half a year or longer before being paid.

Payment is also affected by the interaction between the OPS and oil crushers. Groundnuts are weighed twice, at their respective communities and at the factories. Weights tend to be different as the factories account for waste and other details. Thus, a portion is usually given in exchange of the original price assumed between the OPS and the farmer. In addition, some of the OPS demand a higher transportation fee by listing a longer distance than what they actually travelled. This interferes with factory payment estimates and leaves the use of extra money to the discretion of the OPS.

Halfway through MY 2010/11, a \$32.4 million debt had been amassed by oil processors leaving 60 percent of the farmers without payment for the 140,000 MT of peanuts collected at that time. On February 5, the Prime Minister, Souleymane Ndéné Ndiaye, the Minister of Agriculture, Khadim Guèye, met with the banks and the oilseed processors and agreed to find a solution to the current debt, as well as anticipated debts occurring through April 2011.

The groundnut marketing campaign officially closed on April 30, 2011, making it the shortest campaign

in recent years, where the average end date is usually June 20. According to the CNIA, 257,000 MT of groundnuts (\$106.5 million) have been collected as of May 1, 2011. Suneor received 204,000 MT, Novasen received 40,800 MT and CAIT received 12,500 MT. During an inter-ministerial meeting on June 22, 2011, organized by the Ministry of Agriculture and chaired by the Prime Minister, the Minister of Agriculture presented results of the 2010/11 agricultural campaign and targets for the upcoming season. The Prime Minister urged the Ministry of Finance to pay the remaining \$2.5 million to cover the subsidies to the oil processing companies.

Meanwhile...

Early in the campaign, farmers unwilling to wait for their payments or compelled to sell the surplus sold their peanuts through unofficial marketing channels to their disadvantage. Others turned to artisanal modes of oil production for self sufficiency. For example, the 96 villages in the rural community of Touba-Toul, who used to receive *bon impayés*, have turned away from the marketing system organized by the state for the past two marketing campaigns. Instead of working with OPS, the cultivators sell the groundnuts directly to individual informal private operators (OPI) usually at a better price compared to the one fixed by the GOS. The OIPs process the groundnuts into “artisanal” oil commonly referred to as “Ségal” or into livestock feed to sell in local markets. Ségal oil is normally sold for \$1.72 – \$1.82 a liter. This year especially, the sale of Ségal oil has risen nationwide and is consumed by all Senegalese social classes and is even sold in the regional market, i.e. Mali. During the inter-ministerial meeting on June 22, 2011, a representative of the three main peanut oil processing companies urged the GOS to organize the informal semi industries in order to pay taxes, provide statistical data, register their employees and improve the quality of the Ségal oil.

Since January 2010, GOS has also encouraged exportation of peanuts before it is processed into oil. Due to large surpluses of groundnuts last year, GOS has allowed exports of all varieties of peanuts, except for seed peanuts, (under Decree 2010-15). This decree provides revenue opportunities to farmers but only if they meet productivity, availability, seed quality, and international standards. However, according to the ITFC/ITC survey, the groundnut sector in Senegal is known to produce unreliable quality that does not comply with international standards.

Leaving so much supply in the hands of farmers could have been catastrophic if they had not been able to sell their production to private entities that locally processed the peanut into Ségal oil. In addition, aflatoxin can appear before or after harvest so production methods need to be improved to reduce the aflatoxin contamination. Lack of training could expose some of the unsold groundnuts to phytosanitary problems unless treated immediately. For example, in Koumbal stocks were attacked by worms threatening to undo months of work. Keeping humidity levels in mind, poor storage conditions present a large risk for the stored commodities.

According to the representative of the farmers’ union *Japandoo*, there is no stock available in the market at the end of the 2010/11 marketing campaign. The whole production has been sold to the peanut processing companies, the OPS to produce Segal oil, exported or kept by the farmers for seeds to be used the following campaign. In MY 2010/11, China, United Arab Emirates and United Kingdom were the primary importers of Senegal’s peanuts 8,000 MT, compared to 4,000 MT in MY 2009/10. The main local newspaper, *Le Soleil*, reported from the inter-ministerial meeting that GOS decided it will not subsidize the peanut marketing campaign in MY 2011/12. The budget will be used towards purchasing

more inputs and equipment. For the upcoming season, about \$19.0 million is expected to be used to buy peanut seeds and build 130 storage facilities.

Exchange rate: Tuesday, March 29, 2011
1.00 US Dollar = 466 CFA Franc

For more information on the history and structure of the groundnut sector in Senegal, please see previous reports, including:

- New Senegalese Peanut Export Policy
- Revitalization of the Groundnut Sector in West Africa
- Senegal Agricultural Situation: Agricultural Situation Update 2009
- Senegal Oilseeds and Products: Annual Update 2008

Acronyms

ACP - Africa, Caribbean and Pacific

CAIT - Complexe Agro-Industriel de Touba

CNIA - National Committee of the Groundnut Industry Association

DAPS - National Agency of Statistics and Demographics

GOANA - Great Agricultural Offensive for Food and Agriculture

GOS - Government of Senegal

ITC - International Trade Centre

ITFC - International Islamic Trade Finance Corporation

Novasen - Nouvelles Valorisation d'Arachide du *Sénégal*

OPI - Informal private operators

OPS - Private operators in charge of stocking and transportation of groundnuts

PSD - Production, supply, and demand

Production, Supply and Demand Data Statistics :

Oilseed, Peanut Senegal	2009/2010		2010/2011		2011/2012	
	MY Begin: Nov 2009		MY Begin: Nov 2010		MY Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,060	1,060	1,000	1,195	1,000	1,254
Area Harvested	1,060	1,060	1,000	1,195	1,000	1,254
Beginning Stocks	4	4	32	50	73	40
Production	1,033	1,033	1,100	1,286	1,000	1,350
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1,037	1,037	1,132	1,336	1,073	1,390
MY Exports	0	2	0	10	0	10
MY Exp. to EU	0	0	0	0	0	0
Crush	625	300	650	260	650	300
Food Use Dom. Cons.	252	575	259	870	265	895
Feed Waste Dom. Cons.	128	110	150	156	125	135
Total Dom. Cons.	1,005	985	1,059	1,286	1,040	1,330
Ending Stocks	32	50	73	40	33	50
Total Distribution	1,037	1,037	1,132	1,336	1,073	1,390
1000 HA, 1000 MT						

Meal, Peanut Senegal	2009/2010		2010/2011		2011/2012	
	MY Begin: Nov 2009		MY Begin: Nov 2010		MY Begin: May 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	625	300	650	260	650	300
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	20	20	20	20	17	5
Production	247	120	258	105	258	120
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	267	140	278	125	275	125
MY Exports	17	15	35	20	35	20
MY Exp. to EU	4	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0

Feed Waste Dom. Cons.	230	105	226	100	222	100
Total Dom. Cons.	230	105	226	100	222	100
Ending Stocks	20	20	17	5	18	5
Total Distribution	267	140	278	125	275	125
1000 MT						

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